

The Affinity Connection

Summer 2009

Surviving Market Turbulence



Screaming headlines proclaiming stock market meltdowns, bank failures, and job losses leave even the most confident investors feeling shell-shocked. For small investors whose primary concern is financing retirement the current onslaught of bad news, delivered in hysterical tones, often induces unnecessary fear.

The first tip for coping with doom-and-gloom financial predictions is to check the source of your financial news. Many Canadian news outlets save money by filling their white space or newscasts with American stories from wire services, which leaves a lot of Canadians believing we share the same problems. We don't. Canadian regulations would never have allowed the so-called sub-prime mortgage products such as "ninja loans" – shorthand for borrowers with no income and no job – or "liar loans," the nickname for loans made to borrowers without checking their income claims. U.S. bank failures and the resulting chaos can be traced directly to a lack of prudence.

By contrast, the World Economic Forum called Canada's banking system the soundest in the world giving it a 6.8 on a scale of 7, in its October 2008 report on global competitiveness. Canada led the way for stable banking nations ahead of Sweden, Denmark, and the Netherlands. The U.S. was ranked 40th.

For meaningful economic information, talk to your Affinity financial planner and review your portfolio. Have your circumstances changed since you made your investments? Do you need your money within the next three years? Everyone's circumstances differ, and there may be real reasons to tinker with a portfolio during a volatile market – but fear isn't one of them. As American financier J.P. Morgan reportedly said when asked what the stock market would do next: "It will fluctuate." That's what it does.

Feel the joy of an Affinity Flex Mortgage!

Call our TeleService Centre
Saskatoon: 934.4000 or Toll Free: 1.866.863.6237



Making Sense of Your Mortgage

Money saving tips from our Mortgage Expert, Leslie Carlson, Main Branch, Saskatoon.

How to save money on your mortgage

Buying a house is the biggest purchase most people will make in a lifetime. It's a decision that can cause even the strongest among us to lie awake at night wondering if we'll be able to make the mortgage payments.

But low interest rates and fierce competition among financial institutions have temporarily put consumers in the driver's seat. Consider these options when you go shopping for a mortgage:

- Be pre-approved for a mortgage to hold the current low rate. Consumers may hold the rate for up to 45 days while they find a suitable property.
- Whether you opt for a seven, five or one-year mortgage term, find out what the pay-out penalties are and if you can renew your mortgage early if rates drop.
- Investigate pre-payment mortgage options such as lump sum payments or accelerated bi-weekly or weekly payments to pay off the principal faster. Affinity offers a Flex Mortgage which allows you to pre-pay any amount, any time. Visit our [website](#) to [learn more](#).
- Check out our [mortgage rate calculator](#) to see how much you could save.
- Consider a variable rate mortgage to take advantage of fluctuating interest rates



Canadian Home Renovation Tax Credit

Are you thinking about renovating your home? Need some help with financing?

If so, consider applying for the Canadian Home Renovation Tax Credit (HRTC) – it provides up to \$1,350 in savings if you renovate before February 1, 2010!

To learn more:

- Drop into your nearest [Affinity branch](#)
- Email us at questions@affinitycu.ca
- Call us 934.4000; toll free 1.866.863.6237

We'd love to hear from you!

For complete information on the HRTC, please visit the [Government of Canada's website](#).

- The federal government Home Buyer's Plan allows buyers who haven't owned a home in five years to use up to \$25,000 in RRSP funds to buy a home.
- Affinity offers an Affordable Housing Program for low-to moderate-income households – making home ownership more accessible. Ask your Affinity Mortgage Advisor for details.

Responsible Investing

At Affinity Credit Union we are committed to helping our members make a world of difference with their investment choices. That's why our certified advisors offer socially responsible investment (SRI) products. Members can meet personal financial goals while helping to protect the environment.

Socially responsible investing is about making companies perform better socially, environmentally and financially. Over the past three decades, socially responsible investors have forced companies to reduce pollution, provide for safer workplaces, observe international human rights standards, and become more accountable to society.

Tax Free Savings Accounts

The Basics

A registered Tax-Free Savings Account allows Canadians 18 years of age and older to save up to \$5000 each year. This amount can include all kinds of investments including term deposits, credit union shares, guaranteed investment certificates, mutual funds, publicly traded securities, as well as government and corporate bonds.

However, unlike an RRSP, contributions to a TSFA are not tax deductible. So what's the appeal?

The Benefits

Interest and investment income earned in a TFSA—including capital gains—are not taxed on withdrawal, and there are no restrictions on how the money is spent.

Funds can be withdrawn at any time without penalty and any amount you withdraw can be put back into the tax-free account without reducing your contribution limit.

Even better, neither the income earned in a tax-free account nor withdrawals from it affect eligibility for income-related benefits and tax credits such as Old Age Security pension payments.

To learn more about tax-free savings accounts and RRSPs, Call Affinity TeleService at 934-4000 (in Saskatoon) or toll-free: 1-866-863-6237. Alternatively, drop into any branch and ask to speak to one of our investment specialists.



Renovating?

Apply for a loan by phone
Call 934.5415 or 1.866.863.6237



Additional Money Saving Tips

Anyone in the market for a new home, or those who are looking to upgrade, should be aware of the thousands of dollars that can be saved both short and long-term by customizing a mortgage. Here are some pointers:

- Your amortization period, which is the time it takes to pay back the principal and interest on a mortgage, can be as long as 35 years. Save money by choosing a shorter amortization period.
- Choose carefully between a “closed” and “open” mortgage. An open mortgage allows a homeowner to pay down a considerable portion of the debt without penalty or renew a mortgage at any time to take advantage of low interest rates. A closed mortgage gives you the security of locking in your mortgage at a set interest rate for a longer period of time. As well, closed mortgages often allow at least a 10 percent annual pre-payment.
- Some institutions allow you to skip payments for several months in case you are laid off work, take parental leave or become ill. However, this will increase interest costs. Most financial institutions also give you the option of skipping mortgage payments once every 12 months if your mortgage is up to date. Missed interest payments are added to the outstanding mortgage principal. Future interest rates are calculated on this total.
- Rising interest rates are a significant concern. Early renewal options may allow you to lock into current low rates. You can also blend or extend a mortgage to get a better rate.
- Revamp your household budget to increase -- even slightly -- your mortgage payments. You'll be surprised how much faster you can pay down your mortgage
- Consider making weekly or biweekly mortgage payments. The mortgage will disappear much more quickly than making monthly payments.

**Service and commitment
... close to home!**

Contact us today!

www.affinitycu.ca

Teleservice

Saskatoon: 934.4000

Toll Free: 1.866.863.6237

Call for a free guide!

Savings: - Tax-Free Savings Accounts
- Planning for the Future (RESP & Education)

Retirement: - Understanding All the Basics of RRSPs, RRIF, LIF, LRIF, Annuity
- Knowing your Retirement Options

